

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 CIAE-00 INR-10 NSAE-00 RSC-01

XMB-07 L-03 RSR-01 /059 W

----- 050402

R 240755Z JUL 73

FM AMEMBASSY WARSAW

TO USDOC WASHDC

INFO SECSTATE WASHDC 4903

UNCLAS SECTION 1 OF 2 WARSAW 3600

E..O. 11652: N/A

TAGS: BEXP, PL

SUBJECT: OBR "TRADING IN POLAND"

REF: WARSAW 3360; STATE 136686

FOR COMMERCE/BEWT/LEWINS

1. DRAFT OBS CONTAINS GREAT DEAL OF USEFUL INFORMATION. WE ARE CONCERNED, HOWEVER, THAT SOME US COMPANIES MAY BE SCARED OFF BY THE HEAVY EMPHASIS ON EXTENSIVE AND DIFFICULT NEGOTIATING PRACTICES IN THE HIGHLY DETAILED SECTIONS ON "NEGOTIATING" AND "CONTRACTS" (PAGES 39-51). AT MINIMUM, TEXT AT BEGINNING OF THIS SECTION SHOULD POINT OUT THAT WHILE SUCCESSFUL NEGOTIATION OF MAJOR CONTRACTS, SUCH AS THOSE INVOLVING TURNKEY CONSTRUCTION OF NEW PLANTS, SHOULD BE EXPECTED TO BE LENGTHY AND ARDUOUS PROCESS, SALES OF INDIVIDUAL MACHINES, INSTRUMENTS, OR OTHER COMMODITIES CAN BE MADE WITH FAR LESS DIFFICULTY, ESPECIALLY ONCE COMPANY HAS ESTABLISHED ITS CONTACTS HERE. ALSO, WE BELIEVE DRAFT OBR COULD BENEFIT BY OVERALL EDITING; I.E. TO TIGHTEN UP "HINTS TO BUSINESSMEN" SECTION WHICH IS PARTIALLY REPETITION OF MATERIALS APPEARING EARLIER; AND TO SHARPEN TERMINOLOGY SUCH AS THAT ON PAGE 65 WHICH REFERS TO "RUSSIAN" RATHER THAN "SOVIET" OR "USSR" PAVILION, AND TO " THE GERMAN PAVILION", WHEN IN FACT POZNAN FAIR HAS PAVILIONS OF FEDERAL REPUBLIC OF GERMANY
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AND GERMAN DEMOCRATIC REPUBLIC. EMBASSY'S SUGGESTED SPECIFIC REVISIONS AND ADDITIONS FOLLOW:

2. PAGE 5: SUGGEST SPECIALIZED AGRICULTURAL MACHINERY BE

OMITTED FROM LIST OF BEST PROSPECTS FOR US EXPORTS.
TO EXTENT THEY EXIST, PROSPECTS IN THIS AREA AT PRESENT
ARE BEST IN POSSIBLE INDUSTRIAL COOPERATION SCHEMES.

3. PAGES 6-7; APPEARS TO BE GARBLE OR LINE DROPPED AT
END OF PAGE 6 OR BEGINNING OF PAGE 7.

4. PAGE 7: BELIEVE PEHINEY CO. IS NOW CALLED RHONE-PROGIL.

5. PAGE 7: ALTHOUGH IT IS CERTAINLY TRUE THAT POLAND
IS INTERESTED IN BUYING MACHINERY, EQUIPMENT, AND LICENSES
FOR THE FOOD-PROCESSING INDUSTRY, IT SEEMS ODD TO MENTION
ONLY THIS INDUSTRY TO THE EXCLUSION OF ALL OTHERS, SUCH
AS CHEMICALS, PETROCHEMICALS, ELECTRONICS, ETC., IN WHICH
POLAND HAS SIMILAR INTERESTS. RECOMMEND PARA 3 ON PAGE 7
BE DELETED TO AVOID DISTORTION.

6. PAGE 8: KOEHRING AGREEMENT FOR PRODUCTION IN POLAND
OF HYDRAULIC EXCAVATORS WAS SIGNED, WE BELIEVE, IN 1971.
THE SINGER COMPANY RECENTLY SIGNED AN AGREEMENT WITH
POLISH FTO UNIVERSAL FOR PRODUCTION IN POLAND OF HOME
SEWING MACHINES UNDER SINGER LICENSE. INTERCONTINENTAL
HOTELS HAS FRANCHISE AND TECHNICAL AGREEMENTS FOR TWO
HOTELS, A "FORUM" (INTERCONTINENTAL'S ECONOMY CLASS) TO
OPEN IN 1974 AND IN INTERCONTINENTAL TO OPEN IN 1976.

7. PAGE 9: THE "REFORMS" REFERRED TO WERE EXPANDED AS
OF JANUARY 1, 1973, BUT PROVISIONS REGARDING FINANCING
OF IMPORTS STILL APPLY TO ONLY A FEW INDUSTRIAL ASSOCIATIONS
AND PRODUCING ENTERPRISES. PARAGRAPH ON EXCHANGE CONTROLS
MIGHT ALSO MENTION THAT THE EXCHANGE RATE APPLIED TO
COMMERCIAL TRANSACTIONS IS THE SO-CALLED "SPECIAL RATE"
CURRENTLY FIXED AT 19.92 ZLOTYS TO THE DOLLAR.

8. PAGE 10: CERTAIN FOREIGN TRADE ENTERPRISES ARE CONTROLLED
BY INDUSTRIAL ASSOCIATIONS, WHICH IN TURN REPORT TO
INDUSTRIAL MINISTRIES. THUS, THE UNITRA ASSOCIATION OF
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THE ELECTRONICS INDUSTRY CONTROLS UNITRA FTO; PZL ASSOCIATION
OF THE AVIATION AND ENGINES INDUSTRY CONTROLS PEZETEL
FTO; MERA ASSOCIATION OF THE AUTOMATION AND MEASURING
DEVICES INDUSTRY CONTROLS METRONEX FTO AND ELWRO FTO
(WHICH IS ASSOCIATED WITH, BUT NOT DIRECTLY SUBORDINATE TO,
ELWRO WROCLAW ELECTRONIC WORKS, AND ENTERPRISE WHICH HAS
THE STATUS OF AN INDUSTRIAL ASSOCIATION); AND BUMAR
ASSOCIATION OF THE BUILDING MACHINERY INDUSTRY CONTROLS
BUMAR FTO. UNITRA PZL, AND MERA REPORT TO THE MINISTRY
OF THE MACHINE INDUSTRY; BUMAR REPORTS TO THE MINISTRY
OF THE CONSTRUCTION AND BUILDING MATERIALS INDUSTRY.
IN THESE CASES AT LEAST, AND IN MANY OTHERS AS WELL,
KEY PURCHASING DECISIONS ARE MADE BY THE INDUSTRIAL

ASSOCIATION (AS INVESTOR) AND BY THE ASSOCIATION'S
CONSTITUENT ENTERPRISES (AS END USERS), RATHER THAN BY
THE FTO. THE ROLE OF THE INVESTOR AND THE END USER IN
THE BUYING PROCESS SEEMS TO US TO BE UNDEREMPHASIZED IN
THE OBR. WE THEREFORE RECOMMEND INCLUSION OF A SECTION
COMPARABLE TO THE PARAGRAPHS ENTITLED " THE DECISION-MAKING
PROCESS FOR IMPORTS" IN THE EMBASSY'S HANDOUT, " HOW TO
DO BUSINESS IN POLAND".

9. PAGES 12-30: WE SUGGEST THE FOLLOWING CHANGES IN THE
LIST OF ORGANIZATIONS CONNECTED WITH FOREIGN TRADE:
(A) THE LISTING FOR MIEDZYNARODOWE TARGI POZNANSKIE
SHOULD BE INCLUDED IN ITS PROPER ALPHABETICAL PLACE.
REFERENCE SHOULD BE MADE TO BOTH THE SPRING (TECHNICAL)
FAIR AND FALL (CONSUMER GOODS) FAIR, DESCRIBED ON PAGE 38.
(B) THERE ARE NOW ELEVEN COMMERCIAL AGENCY FIRMS, AND
THIS CHANGE SHOULD BE NOTED ON PAGE 10, 51, AND 53. THE
ELEVENTH FIRM, WHICH SHOULD BE ADDED TO THE ALPHABETICAL
LIST, IS POLIMAR, SA.,
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14. PAGES 39-44: IT SHOULD BE NOTED THAT POLES MUCH
PREFER TO DEAL WITH HOME OFFICE REPRESENTATIVES THAN WITH
PERAONNEL FROM WEST EUROPEAN SUBSIDIARIES. AGENTS AND
MIDDLEMEN ARE OFTEN REGARDED WITH SUSPICION.

15. PAGE 46, LAST LINE. SUGEST "AN IMPORTANT ROLE"
RATHER THAN "MORE IMPORTANT".

16. PAGE 47: REGARDING DIRECT LOANS INVOLVING EXIM,
NONE OF THE TRANSACTIONS APPROVED THUS FAR HAS PROVIDED
FOR EXIM GUARANTEE OF 45 PERCENT FINANCED BY COMMERCIAL
BANK.

UNDER "TRANSPORT", IT SHOULD BE NOTED THAT
IT IS REQUIRED THAT ALL SHIPMENTS OF GOODS WHOSE EXPORT
IS FINANCED IN WHOLE OR IN PART BY EXIM MUST BE EFFECTED
IN US VESSELS UNLESS A WAIVER HAS BEEN GRANTED
BY THE MARITIME ADMINISTRATION.

17. PAGE 51: SECOND PARA UNDER "COMMERCIAL REPRESENTATION" SHOULD READ, "IN ADDITION, U.S. AND OTHER FOREIGN FIRMS MAY RECEIVE A LICENSE FROM THE MINISTRY OF FOREIGN TRADE TO OPEN A TECHNICAL OFFICE TO PROVIDE INFORMATION AND SERVICE. IN ACCORDANCE WITH POLISH REQUIREMENTS, THESE OFFICES ARE NOT TO ENGAGE IN COMMERCIAL ACTIVITIES. FOR EXAMPLE, THEY MAY NOT CONCLUDE SALES CONTRACTS".

18. PAGE 52: AMEND LAST SENTENCE OF FIRST PARA TO READ:
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"...THE US TRADE DEVELOPMENT AND TECHNICAL INFORMATION OFFICE IN WARSAW PROVIDES VISITING AMERICAN BUSINESSMEN WITH XEROX AND TELEX FACILITIES. IT WILL ALSO ASSIST IN LOCATING COMPETENT SECRETARIES AND TRANSLATORS". THE TDIO IS NOT EQUIPPED TO PROVIDE SECRETARIAL OR TRANSLATION SERVICES OUT OF ITS OWN STAFF. OFFICE AND CONFERENCE SPACE, WHICH IS EXTREMELY LIMITED, IS GENERALLY NOT AVAILABLE.

19. PAGE 53: FIRST PARA: VIENNA EAST-WEST TRADE CENTER CAN ALSO HELP IN LOCATING AGENTS.

20. PAGE 56: MONTHLY COSTS FOR A POLISH AGENT MAY RUN AS HIGH AS \$1000, PLUS AN AUTOMOBILE, PLUS COMMISSION.

21. PAGE 57: IT SEEMS INCORRECT TO DESCRIBE THE FUNCTIONS WHICH MAY BE PERFORMED BY A TECHNICAL SERVICE OFFICE AS "RELATIVELY LIMITED". ALTHOUGH FORMALLY PROHIBITED FROM ENGAGING IN SALES ACTIVITIES, TECHNICAL OFFICES, AS OPERATED BY WESTERN EUROPEAN AND JAPANESE FIRMS, IN FACT ENGAGE IN NEARLY ALL COMMERCIAL ACTIVITIES EXCEPT FOR SIGNING OF CONTRACTS. TECHNICAL OFFICES PRESENT TWO DISTINCT ADVANTAGES OVER COMMERCIAL OFFICES: LOWER ANNUAL LICENSE FEES AND ABSENCE OF TAX LIABILITY. THE PROCEDURE FOR APPLYING FOR PERMISSION TO OPEN A TECHNICAL OFFICE IS THE SAME AS THAT FOR A COMMERCIAL OFFICE. OF THE SIX US COMPANIES WHICH HAVE RECEIVED ACCREDITATION FROM THE MINISTRY OF FOREIGN TRADE, FIVE ARE OPENING TECHNICAL OFFICES. WE BELIEVE THE TECHNICAL OFFICE SHOULD BE GIVEN MORE ATTENTION IN THE OBR AS A POSSIBLE FORM OF REPRESENTATION IN POLAND.

22. PAGE 58: SUGGEST FOLLOWING SENTENCE AS LAST PARA UNDER "ACCREDITED OFFICES": "IT IS ALSO POSSIBLE TO OPEN OFFICES IN POLAND IN CONNECTION WITH EXECUTION OF A TURN-KEY CONSTRUCTION PROJECT. SUCH AN OFFICE SHOULD BE PROVIDED FOR IN THE SALES CONTRACT.

23. PAGE 61: IT MIGHT BE NOTED THAT ALTHOUGH POLSERVICE BUYS AND SELLS LICENSES, MORE COMPLEX LICENSING ARRANGE-

MENTS, SUCH AS THOSE INVOLVING LONG-TERM AGREEMENTS ON
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PRODUCTION, ARE ORDINARILY CONCLUDED BY THE FTO HAVING
COMPETENCE IN THE PARTICULAR INDUSTRY.

24. PAGE 63: THE JOHNSON ACT, ESPECIALLY SINCE EXTENSION
OF EXIM FINANCING TO POLAND, HAS ONLY A MINIMALLY RESTRICTIVE
EFFECT ON US-POLISH TRADE AND SHOULD NOT FIGURE SO
PROMINENTLY IN THE OBR. MENTION SHOULD BE MADE,
HOWEVER, OF THE SHIPPING RESTRICTIONS OF PUBLIC
RESOLUTION 17 (SEE ITEM 16 ABOVE).

25. PAGE 64: UNDER "SHIPPING", SOVIET SHIPS NOW ENTER
40 U.S. PORTS UPON FOUR DAYS' ADVANCE NOTICE. SUGGEST
OPENING OF PARA BE REVISED AS FOLLOWS: " MERCHANT VESSELS
FROM COMMUNIST COUNTRIES CALL AT U.S. PORTS UNDER CERTAIN
RESTRICTIONS. A REQUEST TO ENTER A U.S. PORT MUST BE
SUBMITTED FOR A POLISH SHIP 14 DAYS IN ADVANCE...."

26. PAGE 66: WITH INTEREST OF WESTERN FIRMS IN THE POLISH
MARKET GROWING RAPIDLY, WE DOUBT THAT AVAILABILITY OF
SPACE AT POZNAN FAIR WILL BE GREATLY INCREASED BY
SPLITTING OFF CONSUMER GOODS. SUGGEST, THEREFORE, THAT
"ALTHOUGH" CLAUSE IN FINAL SENTENCE OF SECOND PARA BE
DELETED.

27. PAGE 67: ONE-COMPANY EXHIBITIONS, SEMINARS, AND
CONFERENCES ARE ARRANGED IN POLAND THROUGH AGPOL, NOT
THROUGH THE CHAMBER OF FOREIGN TRADE. SUCH EXHIBITIONS
ARE CONSIDERED A FORM OF ADVERTISING.

UNDER "U.S. TRADE PROMOTION ACTIVITIES", IS STATEMENT
CORRECT THAT "AMERICAN PAVILION IS AVAILABLE EVERY YEAR"?

28. PAGES 67-68: WE SUGGEST ALTERING BEGINNING OF SECTION
ON TDTIO TO READ AS FOLLOWS:

" THIS OFFICE IN WARSAW OFFERS AMERICAN AND POLISH
FIRMS ASSISTANCE IN EXPANDING THEIR COMMERCIAL RELATIONS.
IT PROVIDES AMERICAN BUSINESSMEN AND POLISH INDUSTRY
OFFICIALS WITH A BROAD RANGE OF COMMERCIAL ASSISTANCE AND
TRADE INFORMATION. THE FACILITIES OF THE TRADE DEVELOPMENT
OFFICE INCLUDE A COMMERCIAL LIBRARY, XEROX AND TELEX, AND
A MULTI-PURPOSE ROOM (55 SQUARE METERS, 5 X 11) SUITABLE
FOR CONFERENCES, SEMINARS, AND SMALL EXHIBITS. THE U.S.
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TRADE DEVELOPMENT AND TECHNICAL INFORMATION OFFICE IS
LOCATED AT...."

THE TELEPHONE NUMBER 21 63 27 SHOULD NOT RPT NOT BE
LISTED. THE TELEX IS 813934 USTDO PL (WITHOUT

PREFIX).

29. PAGES 69-70: ARRANGING OF APPOINTMENTS WITH POLISH OFFICIALS IS IN MOST CASES HANDLED THROUGH THE TDTIO, NOT THROUGH THE EMBASSY. THE TDTIO IS IN GENERAL UNABLE TO PROVIDE OFFICE SPACE. WE SUGGEST REVISION OF FINAL PARA ON PAGE 69 AS FOLLOWS: AMERICAN BUSINESS VISITORS TO POLAND MAY WISH TO CALL AT THE U.S. TRADE DEVELOPMENT AND TECHNICAL INFORMATION OFFICE (TDTIO) OR AT THE U.S. EMBASSY FOR HELP IN MAKING APPOINTMENTS WITH POLISH OFFICIALS, BRIEFINGS ON GENERAL ECONOMIC CONDITIONS AND MARKET CONDITIONS, AND FOR OTHER FORMS OF ASSISTANCE. THE TDTIO IS LOCATED AT WIEJSKA 20 AND THE EMBASSY IS AT ALEJE UJAZDOWSKIE 29/31 (TELEPHONE: 28 30 41; TELEX 813304 EMUSA PL).

30. PAGE 70: SECTION ON PAYMENT MIGHT WELL BE COMBINED WITH SECTION ON EXIM FACILITIES (P. 62). IN TRANSACTIONS INVOLVING EXPORTS TO POLAND WHOSE U.S. CONTENT IS MORE THAN \$1 MILLION, EXIM IS PREPARED TO FINANCE UP TO 45 PERCENT OF THE U.S. PORTION, WITH ANOTHER 45 PERCENT CARRIED BY A COMMERCIAL BANK OR BANKS, AND 10 PERCENT PAID BY THE BORROWER (IN THE CASE OF POLAND, THE BANK HANDLOWY) IN CASH. EXIM IS PREPARED TO GUARANTEE LOANS MADE BY COMMERCIAL BANKS TO FINANCE U.S. EXPORTS, REGARDLESS OF THE VOLUME OF EXPORTS INVOLVED. IN VIEW OF THE CRITICAL IMPORTANCE OF FINANCING IN LARGE CONTRACTS, EMBASSY BELIEVES SECTION ON EXIM ACTIVITIES SHOULD BE EXPANDED. IT SHOULD ALSO BE NOTED THAT AN EXIM VICE PRESIDENT MAINTAINS AN OFFICE AT THE U.S. EMBASSY IN VIENNA AND IS PREPARED TO DISCUSS PROBLEMS OF FINANCING EAST-WEST TRADE WITH U.S. BUSINESSMEN.

AMEND FIRST SENTENCE ON END-USERS TO READ: "... ENTERPRISES COULD MAKE THE MISTAKE OF CONSIDERING THEM..."

DAVIES

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<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 24 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973WARSAW03600
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: WARSAW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730768/abqcelqx.tel
Line Count: 308
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification:
Previous Handling Restrictions: n/a
Reference: WARSAW 3360; STATE 136686
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 19 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Dec-2001 by phillir0>; APPROVED <12 MAR 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status:
Subject: OBR "TRADING IN POLAND"
TAGS: BEXP, PL
To: USDOC INFO STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005